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SUBJECT: IMPLEMENTATION OF UNSCR 1874 FINANCIAL
PROVISIONS AND INFORMATION ON U.S. ADVISORY ON NORTH
KOREA

REF: 09 STATE 62131

¶1. (U) This is an action request. Please see paragraph
¶4.

SUMMARY AND BACKGROUND

¶2. (SBU) On June 12, 2009, the U.N. Security Council adopted Resolution 1874, a Chapter VII resolution imposing further measures on the Democratic People's Republic of Korea (DPRK) in response to its May 25, 2009, nuclear test, including new financial measures designed to limit the ability of the DPRK to fund WMD and ballistic missile-related activities, as well as arms procurement and sales (reftel). Given the continuation of DPRK proliferation activities, we strongly urge host governments to undertake specific actions to ensure immediate and robust implementation of the financial provisions of UNSCR 1874 in order to prevent North Korea from using host government jurisdictions to facilitate arms-related or proliferation-related financial transactions.

¶3. (U) We also wish to provide host governments with the text of the June 18, 2009 Treasury Department advisory regarding the involvement by DPRK government agencies and front companies in illicit activities and request that host governments take specific action to mitigate the risks posed by North Korea's illicit activities.

OBJECTIVES/ACTION REQUEST

¶4. (U) Washington requests Posts approach appropriate host government officials in the foreign affairs and finance ministries to deliver the nonpaper in paragraph 5 and achieve the objectives below. The text of UNSCR 1718 can be found at www.un.org/Docs/sc/unsc_resolutions06.htm under S/RES/1718 (2006). The text of UNSCR 1874 can be found at www.un.org/Docs/sc/unsc_resolutions09.htm under S/RES/1874 (2009). The text of the FINCEN advisory is available at www.fincen.gov/statutes_regs/guidance/html/fi_n-2009-a002.html.

-- Note that UN Security Council Resolution 1874 includes expanded financial measures that aim to impede the DPRK's ability to fund its nuclear, ballistic missile, other WMD-related, and conventional proliferation activities.

-- Note that UNSCR 1718 obligations, including an asset freeze against designated North Korean entities and a ban on the sale of luxury goods to North Korea, remain

in place.

-- Request that host governments provide the Treasury Advisory (paragraph 5) to their financial institutions and urge host governments to issue advisories to their financial institutions informing them of the financial provisions in both UNSCR 1718 and UNSCR 1874, particularly:

¶1. the asset freeze requirements for designated DPRK entities;

¶2. provisions calling on states to prevent the transfer of funds and provision of financial services that could be related to DPRK nuclear-related, ballistic missile-related, and WMD-related activities;

¶3. obligations to prevent not only the transfer of all arms and related materiel to and from the DPRK (except for North Korean imports of small arms and light weapons and related materiel), but also services or assistance, including financial services, related to such transfers; and

¶4. the requirement to prevent the supply, sale, or transfer to the DPRK of luxury goods.

-- Emphasize USG concerns that, given these new

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financial measures, the DPRK is likely to engage in deceptive financial practices and increase its use of cash couriers to evade sanctions.

-- Note that the USG remains concerned regarding North Korean production and distribution of high-quality counterfeit U.S. currency, and urge host governments to turnover any seized counterfeit U.S. currency to the USG.

-- Request host governments to require that banks enhance due diligence regarding North Korean transactions and banks in light of UNSCR 1874. In particular, host governments should request that their financial institutions:

¶1. Apply enhanced scrutiny to North Korean customers, transactions and banks, including correspondent accounts held for North Korean financial institutions, as well as their foreign branches and subsidiaries, to mitigate the risks of North Korean proliferation-related activity, North Korean arms sales/purchases, and North Korean procurement of luxury goods;

¶2. Prevent the transfer of funds and the provision of financial services that could be linked to North Korean proliferation-related, ballistic-missile related and WMD-related activities, and illicit conduct;

¶3. Prevent the provision of financial services that could contribute to arms sales to/from North Korea;

¶4. Prevent the provision of financial services that could contribute to North Korea's procurement of luxury goods; and

¶5. Remain vigilant regarding attempts by North Korean customers to make large cash deposits into new or existing accounts, as well as the associated risk of the passing of counterfeit currency.

-- Note USG concerns that the DPRK may increase its use of cash couriers, urge host governments to investigate and intercept any North Korean cash couriers, and urge

states to apply enhanced scrutiny to all North Korean individuals suspected of transporting cash across international borders.

TREASURY ADVISORY

15. (U) BEGIN TREASURY ADVISORY:

The Financial Crimes Enforcement Network ("FinCEN") is issuing this advisory to supplement information previously provided regarding the involvement by Democratic People's Republic of Korea ("North Korea") government agencies and front companies in illicit activities. The U.N. Security Council has recently adopted a resolution containing new provisions, including a call for enhanced monitoring of financial transactions, to prevent the financing of North Korean nuclear, ballistic missile, and other weapons of mass destruction (WMD)-related programs or activities. The Security Council's action, combined with the potential that North Korea will attempt to evade these financial measures, illustrates the increased risk that North Korea and North Korean entities, as well as individuals acting on their behalf, pose to the international financial system and financial institutions worldwide.

On June 12, 2009, the U.N. Security Council adopted Resolution 1874, condemning North Korea's May 25 nuclear test and calling upon member states to prevent the provision of financial services or any financial or other assets or resources that could contribute to North Korea's nuclear, ballistic missile, or other WMD-related programs or activities. These provisions were adopted in addition to pre-existing obligations imposed by U.N. Security Council Resolution ("UNSCR") 1718, adopted in 2006, to, among other things, freeze the assets of designated North Korean individuals and entities involved in nuclear, ballistic missile, and other WMD-related programs or activities. UNSCR 1874 includes additional measures beyond the asset freeze in UNSCR 1718 by calling upon states to prevent North Korea from accessing financial services to facilitate transactions related to its nuclear, ballistic missile, and other WMD-related programs or activities. It also bans financial transactions related to the sales of all arms and related materiel, except for the export of small

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arms and light weapons and related materiel to North Korea. For example, UNSCR 1874 calls upon member states to prevent the provision of financial services that could contribute to North Korea's nuclear, ballistic missile, and other WMD-related programs or activities. In addition, UNSCR 1874 demands that North Korea immediately comply with UNSCR 1718, which includes a ban on the transfer of luxury goods to North Korea.

The U.N. Security Council's adoption of specific financial measures to address this conduct reinforces long-standing Treasury Department concerns regarding North Korea's involvement through government agencies and associated front companies, in financial activities in furtherance of a wide range of illicit activities. These activities include currency counterfeiting, drug trafficking, and the laundering of related proceeds. FinCEN has previously noted such conduct, most recently in 2007. The Treasury Department remains especially concerned about the use of deceptive financial practices by North Korea and North Korean entities, as well as individuals acting on their behalf. Such deceptive practices may include North Korean clients' suppression of the identity and location of originators of

transactions; their practice of arranging for funds transfers via third parties; repeated bank transfers that appear to have no legitimate purpose; and routine use of cash couriers to move large amounts of currency in the absence of any credible explanation of the origin or purpose for the cash transactions.

In light of the financial measures in UNSCR 1718 and UNSCR 1874, and the use of deceptive financial practices by North Korea and North Korean entities, as well as individuals acting on their behalf, to hide illicit conduct, FinCEN advises all U.S. financial institutions to take commensurate risk mitigation measures. FinCEN notes that with respect to correspondent accounts held for North Korean financial institutions, as well as their foreign branches and subsidiaries, there is now an increased likelihood that such vehicles may be used to hide illicit conduct and related financial proceeds in an attempt to circumvent existing sanctions. Financial institutions should apply enhanced scrutiny to any such correspondent accounts they maintain, including with respect to transaction monitoring. Financial institutions should also continue to ensure that they are not providing financial services for North Korea's procurement of luxury goods. This vigilance will help ensure compliance with UNSCR 1718, which prohibits North Korea's procurement of such goods. In order to assist in applying enhanced scrutiny, a list of North Korean banks is included below. The Treasury Department encourages financial institutions worldwide to take similar precautions.

In addition, Treasury is concerned that, in an attempt to evade U.N. Security Council provisions, North Korea may increasingly rely on cash transactions. All financial institutions should remain vigilant regarding attempts by North Korean customers to make large cash deposits into new or existing accounts, as well as the associated risk of the passing of counterfeit currency. The Treasury Department remains concerned about North Korean production and distribution of high-quality counterfeit U.S. currency. The U.S. government is ready to assist with the investigation of North Korean counterfeiting of U.S. currency wherever it is detected. For assistance with counterfeit U.S. currency-related investigations, please contact your local U.S. Secret Service office.

Consistent with the standard for reporting suspicious activity as provided for in 31 C.F.R. part 103, if a U.S. financial institution knows, suspects, or has reason to suspect that a transaction involves funds derived from illegal activity or that a customer has otherwise engaged in activities indicative of money laundering, terrorist financing, or other violation of federal law or regulation, the financial institution shall then file a Suspicious Activity Report. FinCEN reminds financial institutions that Executive Order 13382 of June 28, 2005, requires blocking of all property and interests in property, within the United States or in the possession or control of U.S. persons, of certain individuals and entities. Further information can be obtained from the website of the Office of Foreign Assets Control of the U.S. Treasury Department.

Below is a list of some North Korean banks as taken from public and commercially available information. This is

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not meant to be a comprehensive list and is provided for ease of reference only. For the purposes of this advisory, financial institutions should take independent steps as necessary to ensure sufficient awareness of

their entire exposure to North Korean financial transactions regardless of the financial institution conducting the transactions.

- Amrogang Development Bank
- Bank of East Land
- Central Bank of the Democratic People's Republic of Korea
- Credit Bank of Korea
- Dae-Dong Credit Bank
- First Credit Bank
- Foreign Trade Bank of the Democratic People's Republic of Korea
- Hana Banking Corporation Ltd.
- The International Industrial Development Bank
- Korea Joint Bank (KBJ)
- Korea Daesong Bank
- Korea Kwangson Bank
- Korea United Development Bank
- Koryo Commercial Bank Ltd.
- Koryo Credit Development Bank
- North East Asia Bank
- Tanchon Commercial Bank

END TREASURY ADVISORY

REPORTING DEADLINE

¶6. (U) Post should report results within seven business days of receipt of this cable. Please slug replies for ISN, T, EAP, and TREASURY. Please use the caption SIPDIS in all replies.

POINT OF CONTACT

¶7. (U) Washington point of contact for follow-up information is Jennifer Chalmers, ISN/CPI, (202) 647-
¶9715.

¶8. (U) Department thanks Posts for their assistance.
CLINTON